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SENSITIVE
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STATE PLEASE PASS TO USTDA for K. DORMINEY,
USTR FOR W. JACKSON
TRANSPORTATION FOR C. HUNTER
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SUBJECT: UGANDA PRIORITIZES ROAD CONSTRUCTION, BUT SO FAR PROGRESS
IS SLOW

REF: (A) KAMPALA 475

11. (SBU) Summary: The Government of Uganda (GOU) has made road works its top priority for the 2008-2011 period, spending more on the sector than on education, health, energy, or public sector management. Despite unprecedented funding allocations, recent budget figures show that the GOU spent only one-quarter of the available funds for the July-December 2008 period, though this is in part understandable given the long lead time required to design, contract, and build new roads. However, with elections approaching in 2011 and a new budget being formulated, President Museveni is putting even greater pressure on the Uganda National Roads Authority (UNRA) to move more quickly on road construction, and this could lead to even greater corruption and shoddy construction in the sector. Museveni likewise continues to overlook the questionable competence of Transport Minister John Nasasira, who survived a recent government shakeup. End Summary.

Long Road to Progress

12. (U) President Museveni announced that infrastructure development, and particularly roads construction, maintenance and improvement, was one the GOU's highest priorities during his annual State of the Nation Address on December 31, 2008. Roads topped all other sectors in the 2008/2009 budget, with \$550 million (1.1 trillion Ugandan Shillings), outranking education, health, energy, and public sector management. Roads spending will also top all other sectors in 2010/2011, with more than \$450 million allocated. The record expenditures involve the GOU dipping for the first time into its Central Bank reserves for national development.

13. (U) No one doubts the GOU's good intentions here - road infrastructure has long been neglected and is critical to faster growth and development across all sectors of the economy. But in reality, such spending has not had the intended impact because most of it hasn't really happened yet. According to July-December budget figures, UNRA spent just 26% of the roughly \$200 million allocated to it in the first half of the 2008/2009 fiscal year. Of all 37 major road projects, by far the most important is the Northern Transport Corridor from Kenya to Rwanda via Uganda. Accounting for 75% of UNRA's budget, the Northern Corridor saw the least progress of all, with just 19%, or about \$31 million, disbursed of a budget of \$162 million. Another key project, a "Northern Bypass," or ring road around Kampala, has been delayed by more than two years due to a dispute between the Italian contractor, Salini Construtorri Spa, and the government over the project's specifications. (Note: The project was financed by the European Union. End note.)

¶4. (U) In a recent meeting with EconOff, UNRA Executive Director Peter Ssebanakitta defended the lagging expenditures, noting his Finance Ministry budget planners had given him just two weeks warning before finalizing the 2008/2009 budget. With such little time to prepare for the windfall, UNRA was unable to plan, design, tender and contract the many road projects in its portfolio, he said.

¶5. (U) Ssebanakitta noted, however, that his agency recently contracted the Northern Corridor project, which he hoped would allow for significant progress soon. Several other significant roads, meanwhile, had also seen important improvements. Travelers going in every direction from Kampala report faster drive times than a year ago. Despite being unable to spend its budget, UNRA has contracted improvements to the road to Gulu in northern Uganda, the road toward Jinja east of Kampala (the only completed portion of the Northern Corridor project), and the roads toward Fort Portal and Bushenyi in western Uganda.

Dangers of Speeding

¶6. (SBU) Roads experts note that given the weak capacity of roads authorities, throwing money at construction and maintenance firms without proper attention to planning, design and contracting procedures will only lead to increased corruption and shabby workmanship. While hefty funding is necessary, they warn that the President needs to temper his eagerness for quick construction and allow UNRA to do its job methodically. To Ssebanakitta's credit, UNRA has publicly emphasized the need for patience and pushed back against the President and Transport Minister John Nasasira, the

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latter of whom has bypassed tendering rules in favor of faster construction in the past. As Kampala's roads attest, flouting these rules in favor of quick contracting before the Commonwealth Heads of Government (CHOGM) meeting in the fall of 2007 led to roads which were in need of repair by January 2008. Kampala's roads remain riddled with large, traffic-stopping potholes today, a result of poor original work creating roads that need constant maintenance. Authorities have not pressed corruption charges related to CHOGM roads, but much of the general public, business community, and media believe the last-minute contracting of CHOGM roads was intentional on the part of the GOU, so that firms aligned with government insiders could profit.

Bad Roads Keep Economy in a Rut, Too

¶7. (U) The improvement of Uganda's weak transport infrastructure remains one of the country's largest economic vulnerabilities and is highlighted by President Museveni in nearly all of his public statements. Officials have estimated that Uganda's traffic growth is about twice as large as the GDP growth, i.e., between 15-20%. Uganda has about 28,000 miles of roads of which 6,213 miles are main roads and 21,747 miles are feeder roads. Paved roads extend primarily from the capital to Uganda's main cities and to its borders with Kenya, Rwanda, and Tanzania.

¶8. (U) The Northern Corridor is Uganda's main trading artery, and connects the interior landlocked countries of Rwanda, the Democratic Republic of Congo, Sudan, and Uganda to the port in Mombasa. Though some 80% of Uganda's total trade volume passes along this route, the highway is just a two-lane road where large fuel trucks share the road with animal herders, slow-moving agricultural machinery, and pedestrians on foot. At least half of the trucks on the route are overloaded, adding undue stress to this route.

¶9. (U) The importance of this route was demonstrated during several months in late 2007 and early 2008 when trade to and from Kenya was halted amid that country's post-election turmoil (reftel). The route reopened in February 2008, but the blockage caused a several-month spike in prices, adding as much as one percentage point to Ugandan inflation for the year, and forcing most businesses

to rely on inventories.

Comment

¶10. (SBU) Many observers believe that the new urgency behind the push for new roads is the result both of President Museveni's desire to see faster economic growth, as well as the need to generate voter support prior to the 2011 elections. Democracy in action. At the same time, the President is aware of the public outcry against corruption in road contracting, shoddy construction, and slow progress on roads. But he remains unwilling to remove Transport Minister Nasasira, who has been in the job since 1999 and is Museveni's most loyal minister. As a result, though Nasasira has claimed that 2009 will be Uganda's "year of no potholes," Ugandans expect little short-term improvement. Over time, however, the large allocations for Ugandan roads should lead to a substantial improvement in the country's road network, which in turn should generate substantial economic dividends both at home and for Uganda's EAC neighbors.

BROWNING